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WHITE HOUSE
STAFF

THE WHITE HOUSE

WASHINGTON

January 12, 1979

MEMORANDUM FOR: JIM MCINTYRE

FROM: HENRY OWEN

SUBJECT: Reorganization Plan: Department of
Trade and Business Development

1. I urge the deletion of OPIC and Ex-Im Bank from the proposed elements of the Department of Trade and Business Development, as outlined in your January 11 memorandum.

a. The case for including OPIC in the pending reorganization plan for international development assistance agencies, rather than the Department of Trade and Business Development, is overwhelming. In 1977 we reversed the previous Administration's "privatization" of OPIC, which was making service to US business its guiding purpose. Instead, we directed OPIC to provide support to US overseas private investment only when this serves our LDC-development objectives. On this justification the Congress last year renewed OPIC through 1981, adding statutory mandates restricting OPIC services in middle-income countries and tightening its developmental criteria. The President last spring directed closer coordination of OPIC with AID and other international development programs. This LDC orientation of OPIC has not prevented OPIC from collaborating with Commerce, Ex-Im and SBA in the current nationwide seminars designed to stimulate the participation of smaller US business in international markets. So transferring it to the new Department of Trade and Business Development would reverse the main trend of administration policy; transferring it to IDCA would reinforce that trend.

b. Making Ex-Im Bank a part of the new Department of Trade and Business Development would weaken, in fact and in appearance, the independence which is an essential part of the Bank's effectiveness and ability to attract Congressional support. You might consider whether this change would make it more difficult to move toward forms of Ex-Im Bank financing that do not involve full appropriation. I would ~~be inclined to~~ leave Ex-Im where it is, and allow the Secretary of Commerce (or Trade and Business Development) to chair those meetings of the NAC at which guidance is developed for the Bank.

2. Your decision against including STR and the trade functions of State and Treasury in the new department certainly is wise. We don't need diversionary issues during the MTN legislative struggle.

THE WHITE HOUSE

WASHINGTON

January 8, 1979

MEMORANDUM FOR: JIM MCINTYRE

FROM: STU EIZENSTAT *Stu*
ANNE WEXLER *Anne*
JACK WATSON *Jack*

SUBJECT: Draft Decision Memorandum on
Reorganization Issues

This memorandum briefly summarizes our comments on the draft decision memorandum on reorganization issues that you circulated last week. Our comments are divided into two parts:

- this cover memorandum which includes general comments on your draft decision memorandum; and
- a "marked-up" version of the decision memorandum that reflects specific substantive and editorial suggestions.

Our comments reflect our suggestions for improving the basic decision memorandum. They should not be construed as indicative of our final recommendations on these issues.

The reorganization plans which the President will submit will be among the top domestic priorities of the Administration. We look forward to working with you and your staff in developing the best proposals. We appreciate your efforts to obtain our input.

General Comments:

We have the following general comments:

- The draft memorandum tends to understate the difficulty of achieving program consolidation and program reform, even after structural reorganization has succeeded. Even after the economic development programs are shifted to one agency (DDA or Commerce), for example, we still must convince each of the Congressional authorizing Committees to accept the specific provisions of the consolidated program. Obtaining the approval of the Agriculture, Public Works and Banking Committees of one set of eligibility criteria, program requirements, field structures, etc. will be a monumental task under

any circumstances. Since these Committees also are concerned about their legislative jurisdictions, the task will be even more difficult.

The President should understand that one possible outcome is a situation in which all of the program resources are transferred to a new Department (DDA or Commerce), but none of the program consolidations has passed Congress. In this situation, the program resources would be separated from the field offices and delivery systems of their former Departments. Needless to say, the result would be chaotic from the point of view of service delivery.

Similarly, updating outmoded authorizing statutes for the DNR and DFA will be a large task, even after reorganization has been achieved. Once again, it is these statutory changes that will produce the greatest programmatic benefits.

- The draft memorandum does not adequately articulate a new mission for the Department of Commerce or the Department of Agriculture. Since the President has foreclosed the "abolish Commerce" option we must articulate a new mission for Commerce at the same time that we are reducing its responsibilities in other areas (moving NOAA and perhaps EDA). If the President selects both the DDA and DNR, Commerce will lose 45 percent of its employees and almost 60 percent of its budget authority. If the President selects DNR and the Department of Commerce and Economic Development, this problem will not exist.

Similarly, the Department of Food and Agriculture proposal needs to be strengthened, so that Agriculture's new mission is better articulated. If the President selects both DNR and any economic development reorganization, Agriculture will lose one-third of its employees and 13 percent of its resources.

- The memorandum should be revised to reflect an objective substantive and political analysis of each of these options. It will be easier for the President if in one memorandum he can obtain a complete picture of the reaction of Congress, agencies and constituencies to the various options. Harrison has separately done this.

- Timing of Submission of Reorganization Plans to Congress. We agree with Secretary Bergland that the reorganization plans should be submitted to Congress one at a time. Congress should not be asked to act on more than one plan at a time. The options memorandum should include a brief discussion of the timing issue.

Department of Natural Resources

- The draft memorandum overstates the extent to which structural reorganization may solve the policy problems that are identified, as opposed to changes in authorizing statutes. The memorandum should identify more specifically the improvements that result from structural reorganization and those that require legislative changes.
- It would be helpful if the President could have a more specific accounting of the costs savings. For example, it would be useful to know the amount of costs savings that result from closing field offices, eliminating staff, etc. and the amount that results from policy changes.
- The water resources options are not described in sufficient detail. Given the wide variety of agency views on this issue and its controversial nature it would be helpful to have a more thorough discussion of the options.

As we understand it, the three principal options are:

1. OMB Option: Policy and planning would be located in the new DNR (combination of the Corps of Engineers, Bureau of Reclamation, Soil Conservation Service planning functions and all the functions of the Water Resources Council) and all construction activities would be housed in the Corps of Engineers (transfers construction activities of Bureau of Reclamation and Soil Conservation Service).
2. Interior Option: Put all water planning, policy and construction in DNR.
3. No Organizational Change Option: No major reorganization in this area.

The costs and benefits of each of these options should be clearly presented to the President. (Kathy Fletcher has done considerable work on this issue. She would gladly help with the analysis of the options.)

We are also a little concerned about the "No Reorganization" option which is described as "strengthening the role of the WRC." The memorandum does not clearly state how the WRC would be strengthened, whether legislation would be required, or the likely reaction of Congressional water-policy interests. (We might add that the Administration's experience with water policy last year suggests that any major changes in this area could adversely affect the prospects for Congressional approval of the DNR.)

- The substantive disadvantages of the DNR should be discussed within the memorandum. The President should not be forced to search through the volumes of agency comments to obtain a complete view of the substantive and political benefits and costs of the DNR.
- There should be specific discussion of the organizational questions relating to Indian Affairs. While we are not suggesting a separate Indian Agency option, we think the conflicts and problems presented by leaving BIA in the DNR warrant discussion in your memorandum.
- The timber industry's views concerning the proposed DNR should be discussed. If timber industry support for reorganization is to be attained, we must provide assurances that substantive changes in the management of the National Forests will result.

Department of Development Assistance

- As in the case of DNR, it would be useful to identify those program reforms that are achieved by structural reorganization and those that will require subsequent changes in basic authorizing statutes. The memorandum seems to suggest that all of the program consolidations will result from structural reorganization, when, in fact, major changes in the authorizing statutes still will be required. The President should be aware that

one conceivable result of this plan (DDA or Commerce) is the same set of disparate programs, but subsequent to reorganization they would all be located in one Department.

- As in the case of DNR, it would be useful to provide a more explicit accounting for the cost savings.
- The memorandum does not clearly present the principal distinction between DDA and the Commerce option. That distinction, in our judgment, involves the choice between an economic development program that is closely tied to a community development agency and an economic development program that is more closely associated with a private sector, business-oriented agency. The memorandum should make this choice more explicit.
- The memorandum, we believe, overstates the degree of program consolidation that can be achieved under the DDA option as compared to the Commerce option. In our judgment, the only program reform that may be somewhat more difficult to achieve under the "Commerce option" is the consolidation of planning assistance programs.
- The DDA option, if it is to be internally consistent, should shift to DDA the housing programs of FmHA, as well as FmHA's community and economic development programs. If one believes that ED, CD and housing are inextricably linked (as the argumentation for the DDA suggests), it seems inconsistent to leave behind the rural housing programs, particularly when we must break up the link among these programs that currently exists in FmHA to create DDA.
- The memorandum should be more explicit about the effect of the DDA and Commerce proposals on the geographic constituencies and targeting of the respective agencies. DDA clearly will shift HUD away from its "urban advocacy" role and give it a more "national" constituency. Such a move has important policy and political considerations that should be articulated to the President.
- The discussion of consolidating community facilities programs ignores the fact that major community facilities programs are not included in the DDA. EPA's sewer and water grant program is the largest public facility program in the grant-in-aid system and DOT's transportation grants also are important. Yet there is no discussion of these programs.

- The substantive and political costs and benefits should be fully discussed in the memorandum. The President should not rely solely on the agency comments to understand the substantive issues.
- The memorandum suggests that State and local officials are clamoring for change in these programs. Our discussions suggest that most Mayors are generally indifferent about any of these reorganization proposals.

Food and Nutrition

- The recommended proposal is a move in the right direction, but does not go far enough. Lynn Daft has been working with Harrison Wellford over the weekend to strengthen this proposal. Stu's comments on this reorganization are incorporated in Lynn's proposals.

Commerce

- This option simply is not developed well enough.
It would be unfortunate if the President were to present his reorganization plans and not be able to offer simultaneously a new vision for the Department of Commerce. Such a position would make the President look as if he had all but eliminated Commerce, but had no alternative missions for it.
- The discussion of the Commerce Department should point out that transferring the economic development programs to Commerce would provide a stronger mission for that agency.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

January 5, 1979

MEMORANDUM FOR THE VICE PRESIDENT
STUART EIZENSTAT ✓
HAMILTON JORDAN
TIM KRAFT
DICK MOE
FRANK MOORE
DICK PETTIGREW
JODY POWELL
JERRY RAFSHOON
JACK WATSON
ANNE WEXLER

FROM:

James T. McIntyre, Jr. *Jim*

SUBJECT:

Attached Draft Reorganization Decision
Memorandum

Attached is a draft of the reorganization decision memorandum. It includes summaries of agency comments. The agency comments themselves are attached.

We would like to reflect your position in the final memorandum and would appreciate hearing from you by MONDAY, NOON, JANUARY 8.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

MEMORANDUM FOR THE PRESIDENT

FROM: Jim McIntyre

SUBJECT: Reorganization 1979

This memorandum presents the results of our analysis of the major items on the 1979 reorganization agenda awaiting approval. Four principal projects are described: natural resources, development assistance, food and agriculture, and commerce and trade.

These four areas were chosen with the goal of bringing about visible achievements in government performance and efficiency: more service from the same dollars, reduction in personnel and administrative costs, consolidation and simplification of programs, less overlap and duplication. Together with civil service reform, the Department of Energy, and the pending Department of Education, the initiatives described below would give us a reorganization record affecting most of the domestic Cabinet by 1980:

- (1) Natural Resources. The excessive number of Federal natural resources agencies doing much the same thing makes it confusing for citizens to know where to go, costly for businesses delayed by complex permitting requirements, and complicated for the government to develop and implement coherent policy for balancing conservation and development objectives. A natural resources reorganization would simplify this structure and help to solve these problems as well as save money for the government and the private sector.
- (2) ^{Economic} Development Assistance. ^{economic} The complexity, paperwork, and delay in delivering development grants, loans, and services has long been a complaint of mayors, governors, and businessmen. Federal investment in

* Preparations are underway for education reorganization, which you have already approved.

economic development programs cannot be focused for optimal payoff. Private sector partners often cannot afford to wait months for Federal action. By reorganizing and consolidating programs in this area, we can begin to address these concerns as well as save administrative costs for Federal, State and local governments.

- (3) Food and Agriculture. Nutrition policy is of increasing importance to the quality of the American diet and to agricultural commodity and trade policy. No agency now has lead responsibility for developing and coordinating policy in this area. We believe that the Department of Agriculture should be designated the lead agency for nutrition policy and that we work with Secretary Bergland on internal changes to strengthen USDA's role.
- (4) Trade and Commerce. We are not yet prepared to make a recommendation regarding the mission of the Commerce Department. However, our analysis has indicated important deficiencies in the Federal Government's capacities to formulate and implement trade policy and to conduct economic analysis. A major cause of these deficiencies is program fragmentation. We will be able to present carefully analyzed and politically tested Commerce Department options shortly.

In short, these options are designed to modernize the structure of government by focusing resources on today's problems, streamlining government processes, and saving money for the public and private sector. Implementing them will require a combination of reorganization plan and legislation.

The remainder of this memorandum discusses each set of options in detail. Parts I - IV offer options in specific subject areas.

I. Natural Resources

A. The Problem

Managing the Nation's natural resources -- land, air, water, oceans, wildlife -- is a substantial Federal responsibility. But organizational fragmentation and overlap make it difficult to do a good job. Exhibits I and II summarize natural resources programs and the current jurisdictional fragmentation of resource programs. This program dispersion creates real problems.

NATURAL RESOURCES PROGRAMS

BUDGET 1968

Department or Agency	Bureau	Clients	Budget (\$)	Personnel	Mission
Interior	Bureau of Land Management	Ranchers, miners, oilmen, recreationalists, timber industry	830.0	8,763	Manages 170M acres of publicly-owned lands including forests. Manages oil and gas leasing on the Outer Continental Shelf.
	Bureau of Mines	Miners, mineral industry, government agencies	146.1	3,300	Research on mining and metallurgy technology. Compiles mineral resources inventories and assessments.
	Bureau of Reclamation	Farmers, ranchers, municipal and industrial water users.	504	7,363	Plans, constructs and operates water development projects in 17 Western States, primarily for irrigation & hydropower.
	Fish & Wildlife Service	Public-at-large, hunters, fishermen, conservationists	435.8	8,318	Manages 30M acres of wildlife refuges. Conducts research on fish and wildlife. Protects endangered species. Operates fish hatcheries.
	Geological Survey	Government agencies, State geologists, foreign gov'ts, planners.	640.1	9,863	Performs surveys and research on mineral and water resources, topography, geology. Prepares maps and charts. Manages minerals and OCS leases.
	Heritage Conservation & Recreation Service	Public-at-large, recreationalists, historic preservationists.	842.3	880	Administers Land and Water Conservation Fund. Administers nationwide recreation planning and historic preservation programs.
	Nat'l Park Serv.	Campers, public-at-large	520.7	9,103	Manages 32M acres of National Parks.
	Office of Minerals Policy & Research Analysis	Government agencies	1.5	37	Performs mineral policy analysis.
	Office of Surface Mining	Mining industry, farmers, landowners	115.0	830	Regulates surface coal mining and reclamation of abandoned mine lands.
	Office of Water Research & Technology	Government agencies, universities, water resource planners	26.4	75	Administers water resources research contracts. Provides grants to universities for research.
Agriculture	Office of Territorial Affairs	Citizens of territories	119.3	183	Responsible for Guam, American Samoa, the Virgin Islands and the Trust Territories of the Pacific.
	Bureau of Indian Affairs	Indians, mineral industry	1,380	13,777	Trustee for Indian lands and peoples. Provides social services.
	Forest Service	Foresters, timber industry, recreation	1,624	21,326	Manages 157M acres of Nat'l Forest lands. Provides assistance to State and private forestry program. Conducts forest and range research.
	Soil Conservation Service (partial)	Farmers, ranchers, landowners, planners	226.3	4,010	Plans and finances water resource projects in small watersheds, primarily for flood control & drainage. Conducts surveys of soil conditions & prepares maps. Monitors siltation & forecasts water supplies in the West.
	Corps of Engineers (civil)	State and local gov'ts, farmers, ranchers, boaters, inland shipping interests	2,623	29,000	Plans, constructs, and operates water development projects, primarily for navigation, flood control, hydropower, and recreation. Provides emergency response to natural disasters and national emergencies. Regulates disposal of dredged or fill material and obstructions to navigation.
Commerce	Nat'l Oceanic & Atmospheric Administration	State governments, airlines and marine industry, public-at-large	777	12,830	Manages ocean fishing resources; administers State coastal zone management planning programs; protects marine mammals and endangered species; conducts research and assessments of the marine environment; monitors and predicts weather and climate; conducts research on meteorology and climate; and prepares marine charts and aviation maps.
Water Resources Council		Government agencies, State & local planners	60	103	Develops Federal water policy; administers State & river basin comprehensive water planning programs; establishes guidelines for water project planning; & conducts independent reviews of project plans.

Irrigation

Plans, constructs, and operates large multiple purpose water projects, primarily for hydroelectric and irrigation.

Manages floodwaters with techniques.

Manages Wild and Scenic River System.

Manages 150 million acres of publicly owned land for multiple purposes, including grazing, timber, wildlife, recreation, and wildlife habitats.

Manages 150 million acres of publicly owned land for special purposes such as National Parks and Wildlife Refuges.

Conducts recreation planning and historic preservation programs. Administers Land and Water Conservation Fund.

Regulates surface coal mining.

Regulates and protects endangered and threatened species of plants and wildlife.

Manages all and gas leasing on the Outer Continental Shelf which involves support research in marine science and environmental impact studies. Jurisdictional dispute involving with many years future management of seabed minerals.

Manages a variety of fish hatcheries and conserving fish.

Conducts marine animal programs.

Conducts a program of scientific modification to increase water supplies in the West.

Performs surveys and assessments of mineral resources, including geologic, paleontological, geophysical surveys, and geologic observations.

Conducts broad-based program of water resources research, fish and wildlife research, geological research, marine minerals research, and land-based mining and minerals research and development.

Conducts nationwide program of surface and ground water resources monitoring, including water quality. Administering national water data exchange.

Prepares maps and charts.

Forest Service

Manages 150 million acres of National Forests for multiple purposes, including timber, grazing, minerals, recreation and wildlife habitats.

Provides technical and financial assistance to State forestry programs.

Conducts forest and range research and federal experiments.

Prepares an annual comprehensive assessment.

Soil Conservation Service (small watershed and soil survey)

Plans and finances multiple purpose water projects in small watersheds, primarily for flood control and drainage.

Prepares detailed land and soil maps.

Conducts nationwide surveys of soil conditions and their possible uses; conducts an inventory program of land use, water resources and water force costs in Western States.

National Oceanographic and Atmospheric Administration

Administers marine fisheries programs, including research and development programs; protects marine mammals and endangered species; conducts oceanographic data collection and research; administers State coastal zone management planning programs.

Monitors weather and climate and prepares forecasts; issues storm warnings and organizes community preparedness; conducts research on meteorology and weather modification; operates weather and research satellites.

Conducts interagency program of climate research; manages oceanographic and marine science programs; administers grants to universities for basic research in marine sciences.

Manages production and distribution of marine charts and sailing maps and approach plates.

Corps of Engineers

Plans, constructs, and operates water development projects, primarily for flood control, navigation, hydroelectric, and recreation. Provides emergency response to flood and other natural disasters. Regulates disposal of dredged or fill material and construction to navigation.

Manages 3 million acres of reservoir lands for multiple uses, with large recreation programs.

Regulates ocean dumping of dredged materials under EPA guidelines and state laws.

Conducts hydrologic investigations and collects water resources data. Manages engineering research in support of new construction techniques.

Conducts sedimentation and geomorphological studies.

Water Resources (small)

Develops water resources policy. Manages comprehensive river basin and State water resources planning. Establishes guidelines for planning of water projects. Conducts an independent review of project plans.

broad gauge

No one official, short of you, can take an overview of resource matters; set policies and priorities; or make decisions with a perspective balanced between conservation and development.

No one addresses natural resources comprehensively, even though extensive interactions in the physical world exist. Even when policy is developed, often no one has clear authority to carry it out. For example, the Secretary of Interior has been assigned to implement water policy reforms, but he has no authority for Corps project planning. Relating natural resource programs to other areas, such as international relations, energy, and environmental protection, is difficult.

Evidence? Numerous confusing field systems make it difficult to coordinate policy decisions with State and local governments, respond to regional differences, and provide efficient service delivery.

Responsibilities for ^{many} each resource areas (land, oceans and water) are badly fragmented. For example, water resources policy planning and construction responsibilities are assigned to three operating agencies and the Water Resources Council.

Today's problems will intensify in the future with increasing population, economic growth, and increasing demand for outdoor recreation.

- o Unclear assignment of responsibilities leads to interagency competition, duplication of skills, and failure to take advantage of economies of scale.

Interior and NOAA have several areas of contested jurisdiction and overlap, including hydrology, marine biology, mapping and charting, and deep sea mining. Despite numerous coordinating committees, the problems remain.

Interior and the Forest Service manage public land for the same multiple purposes. Yet each has its own experts, investment levels, field structure, and systems for dealing with the public, including timber, cattle and recreation industries.

The three water development agencies independently pursue their own project planning studies to support

unnecessary expense, poorly conceived projects, and extra pressure from hopeful beneficiaries.

All the natural resource agencies have research and data programs but there is no central clearinghouse, making it difficult for agencies and the public to take advantage of each other's knowledge.

- o Inconsistent regulations and procedures make it difficult, time-consuming, costly, and confusing for natural resources users.

Recreation services are provided by several agencies. Different priorities in funding levels result in some overdesigned and overstaffed facilities while others are neglected.

Interior and the Forest Service, both managing similar public lands, have different regulations for permits, fees, accounting methods, recreational usage and environmental regulation. This situation is particularly troublesome when the two agencies have adjacent or intermingled land, and users seek permits for grazing, access roads or other uses that cross jurisdictions.

Responsibility for management of the Outer Continental Shelf is vested in Interior. NOAA has most other ocean-related responsibilities and expertise, such as oceanography, fishery regulation and coastal zone planning. This division of closely related programs causes duplication, confusion for developers and environmental groups, and fails to take full advantage of complementary skills.

B. Principal Alternative: Department of Natural Resources

Built on a reorganized Interior, a DNR would incorporate the Forest Service, NOAA, the Soil and Snow Surveys of the Soil Conservation Service, the Water Resources Council, and the Water planning functions of the Soil Conservation Service and the Corps of Engineers. If the Forest Service is not included in the package, our principal Congressional supporters would withdraw their active support. DNR would be responsible for managing the Nation's natural resources and ensuring their protection and wise use. Once consolidated in a single department, these programs would be realigned into major program components as follows:

NOAA (Commerce) and Outer Continental Shelf (Interior):

In the new Department, a major component including NOAA and the oceanic programs of Interior would be created, giving these functions higher priority and eliminating duplication.

BLM and USGS
now handle
OCS leasing.
w would this
be changed.

including
leasing of
subsurface?

Forest Service (Agriculture) and Bureau of Land Management (Interior): The experience and professional staff of the Forest Service make it the premier multiple use land management agency in the Federal Government. Within the new Department, the Forest Service would provide the base for this component and, over time, would absorb the Bureau of Land Management.

including
regulatory activities
of USGS

Geological Survey (Interior) and Soil and Snow Surveys (Agriculture): Most of the resource agencies gather information and do research. Their data and research findings are often in different formats and difficult for States and other agencies to use. By locating these support programs in a science and minerals component of DNR, they can be made more useful.

National Park Service, Fish and Wildlife Service, Heritage Conservation and Recreation Service (Interior): Within DNR, the National Park Service, Fish and Wildlife Service, and Heritage Conservation Service would be grouped together, permitting maximum efficiency in program delivery. These programs currently are located in Interior.

Water Resources Council, parts of the Corps of Engineers (Defense), parts of the Soil Conservation Service (Agriculture) and Bureau of Reclamation (Interior): Water resources problems are being addressed by the water policy reforms. However, these policy directives can be more effectively and permanently implemented with accompanying organization improvements.

To accomplish this, option 1 would transfer to and consolidate in DNR the Water Resources Council and the policy, planning and budgeting functions of the three water development agencies. Detailed project design and construction functions of the Bureau of Reclamation and Soil Conservation Service would be transferred to and consolidated in the Corps, which would become the government's water project construction arm.

This step would redefine the mission of the Corps, making it essentially a construction agency capable of performing work for DNR and other Federal agencies. The DNR would plan and budget for all water development activities, and the Corps would act as construction agent under strong policy and review controls. The Corps would have an increased design and construction capability to undertake assignments for other agencies. Separating

project planning from construction would greatly reduce the incentive to generate plans to support a construction program. Although some inefficiencies may result from separating planning and construction functions, there would be net personnel cost savings of \$38 million annually. About 3,000 planners would transfer from the Corps to DNR and about 6,000 Reclamation and Soil Conservation construction personnel would transfer to the Corps.

The DNR would exercise budget, planning and policy oversight of the operations and maintenance activities for water projects. To this end, the Corps would continue the day-to-day maintenance and operation of its projects (under DNR guidance), while the DNR would operate and maintain current Interior projects. This arrangement would be subject to future adjustment as DNR develops experience in this area.

We evaluated other options for handling water resources. For example, Option 2 would consolidate in DNR all the functions of the Corps' civil works, Bureau of Reclamation Soil Conservation Small Watersheds, and Water Resources Council, thereby providing stronger executive direction and greater savings. However, this option would impair the Corps' military construction and mobilization capacity and its ability to take on alternate missions.

A sub-option that could be instituted with either Option 1 or Option 2 would be to transfer the Corps of Engineers' navigation and transportation policy functions to the Department of Transportation. Thus, DOT would have comprehensive transportation planning. This sub-option, however, could further fragment water policy and requires further analysis as to how DOT interests can best be met.

A third option is to strengthen the Water Resources Council by providing an independent and full-time chairman and making it the lead agency for water policy. The strengthened Water Resources Council would provide policy leadership, independent review of projects, coordination with States, and advice to OMB on budget proposals. This option creates a minimal organizational change and offers some improved management of water resources programs. In the past, however, interagency coordinating groups have not been effective.

Once the new Department is created, a comprehensive organic act would help to complete the reorganization and define the mission of the new Department. Exhibit III graphically depicts the resource and manpower transfers for a Department of Natural Resources.

More work needed
on clearly developing
water policy reorganiza-
tion options
(see cover memo)

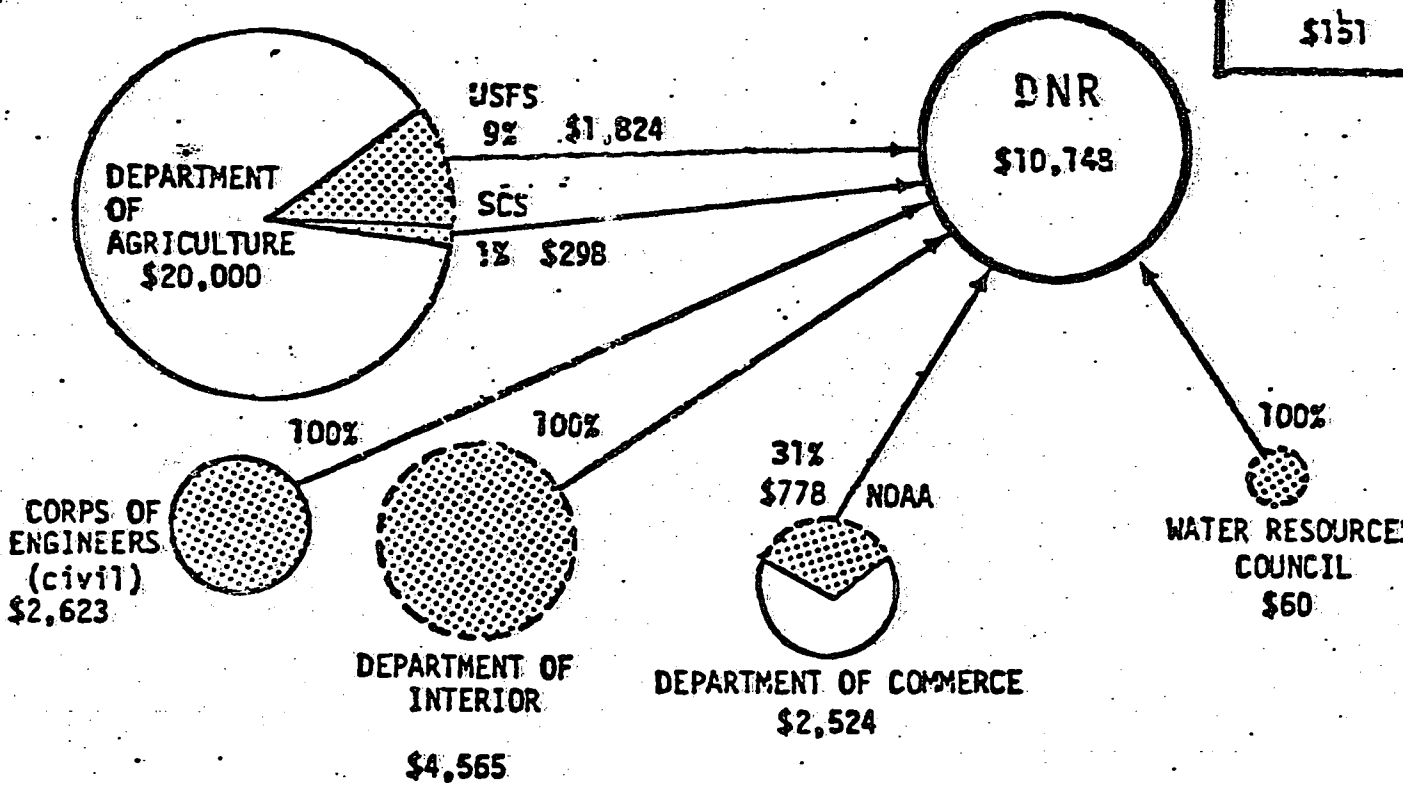
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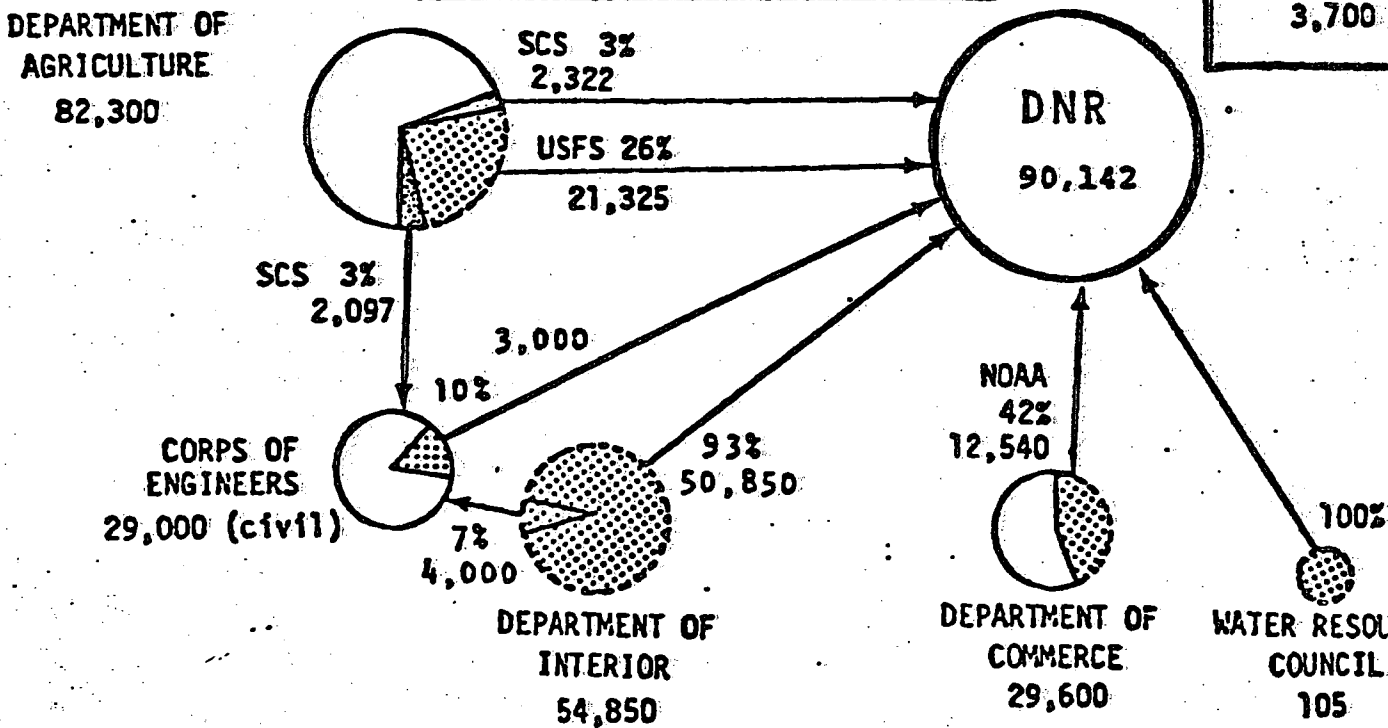
prospects
for passage?

BUDGET AUTHORITY BY SOURCE

(Millions)



PERMANENT POSITIONS BY SOURCE



FY 1979 ESTIMATES

Advantages of DNR

- The functions can be performed at the same levels with an estimated savings of \$151 million and 3,700 positions (obtained over several years). These savings result from merging similar functions, streamlining internal organization, unifying field systems, and improving service delivery, and abolishing or curtailing unnecessary programs.

Services will be delivered faster and better. Commercial firms interested in oil and gas leasing on the Outer Continental Shelf or public lands will benefit from a unified regulatory structure and faster decisionmaking process. Recreation users will have easier access to information and special interpretive services. Grazing, timbering, tourism, and fishery interests, permit seekers, and State and local governments will have a simpler relationship with the Federal Government, dealing with only one agency, rather than two or more. Environmentalists and conservationists will have easier access to Federal policymaking as well. Faster rulemaking and consistent regulations for endangered species will benefit both conservation and commercial interests. Better coordinated data collection and consolidated mapping and charting services will make better data available to public and commercial users at lower cost.

- A uniform data collection system and exchange of research results will provide a better basis for informed decisionmaking.
- Policy and case decisions will be balanced better in an institution having an overview of all resource areas and a broad constituency spanning both development and preservation perspectives.

The disadvantages of DNR are covered in the relevant cabinet comments.

State cons here.

slight overstatement,
given EPA and
DOE roles

C. Other Alternatives Considered

We considered four other alternatives and consulted widely on them.

(a) Department of Agriculture and Renewable Resources --

This option would consolidate USDA's land and water functions, primarily the Forest Service and Soil Conservation Service, with public land management, water resources, and ocean fisheries from other Departments. Consolidating in Agriculture would appear to give a greater production emphasis to resource management. For example, development, marketing and use of fish as a food source would become a primary focus of the ocean fisheries program. Merging the Bureau of Land Management and the Forest Service would solve the problems associated with having two separate land management agencies and build on the Forest Service, the stronger of the two units. Agriculture has experience both in managing public lands and assisting private owners with private land management. Interior has experience with public land only. On the other hand public lands are managed for many uses other than the production of food and fiber emphasized by Agriculture. Federal responsibility for those other uses, such as recreation, mineral development and management of

fish and wildlife, would remain in Interior and continue the fragmentation in these areas.

(b) Improved Coordination Without Major Realignment --

This option would retain the existing structure and establish a Natural Resources Council, or individual councils for land, water, and oceans to develop policy and coordinate actions. This option would avoid disruption but would create additional layers of government, especially in the Executive Office. Accountability would be confused, and previous results with this type of approach have been poor.

(c) Department of Natural Resources and Environment --

This option would join most natural resource management programs, plus environmental regulatory programs of the Environmental Protection Agency (EPA). It is not feasible because EPA's jurisdiction goes well beyond resource management to include regulation of many other areas, such as urban and industrial waste. EPA is increasingly oriented toward public health.

(d) Department of Oceans and Atmosphere --

A Department of Oceans and Atmosphere would be responsible for oceans, and coastal and atmospheric affairs and would consolidate the bulk of the programs associated with those activities (except for military programs). The Department would include the National Oceanic and Atmospheric Administration (NOAA) and the Maritime Administration from Commerce and the U.S. Coast Guard from Transportation. The option would recognize the growing importance of the oceans and ocean resources to the Nation. It would also improve coordination among Federal activities relating to the oceans. However, the Department addresses only a part of the total natural resource issue and would leave other fragmented resource areas unaddressed.

Agency Comments

Commerce believes DNR should not be created unless it has a clearer policy focus. It states that the concept fails to view the affected programs as economic and social issues as well as natural resource issues, particularly NOAA's fisheries programs. Commerce further believes that NOAA is working well at Commerce and that DNR will be primarily a land and water use agency and, therefore, not a good home for NOAA.

Finally, Commerce believes that the benefits -- which in its view cannot be obtained without consolidating policy authorities including regulatory programs -- will be outweighed by the costs in program disruption and controversy.

Army addresses only the water development options and favors Option 3, a strengthened Water Resources Council. It believes that with strong leadership, coordination could work and that it would be a less costly alternative. Army believes that the recommended option would jeopardize politically the implementation of other water policy reforms; that the loss of planning and policy functions would cripple the Corps, particularly in giving military support during times of emergency, and in recruiting; and that the change would result in delays and increased project costs. Some argue that separating water resource planning from construction functions means that the planners may be out of touch with the construction personnel. The Corps may have to redevelop a planning capacity to link planning and construction and maintain the skill to discharge regulatory responsibilities.

CEQ supports the DNR and believes the water resources recommendation is particularly important, both in solving current problems and in providing the Corps a new mission. CEQ believes that DNR should have clear authority to deal with private land use protection and conservation issues; that a "Life Sciences Center" and should be formed to provide scientific opinion on ecological issues; that the Corps navigational transportation functions should be transferred to DOT; and that Energy Department responsibilities for regulating energy minerals leasing activities should be a part of DNR. CEQ also suggests that two disadvantages of DNR be raised: (1) having two or more agencies doing the same thing encourages creative competition and leads to better public information, and (2) one agency may not be able to balance policies and resolve conflicts regarding use of natural resources. Negotiation among Cabinet level officials may produce a better result.

Justice supports DNR, but believes that the water resources option will not give DNR sufficient control over the Corps, in view of its close relations with the Public Works Committees. It also warns that BLM should not be allowed to down-grade the Forest Service professionalism.

Transportation favors the transfer of the Corps' navigation and transportation policy functions to DOT.

Agriculture believes that the Forest Service and BLM should be combined and that a new agency should be built around the Forest Service. Some argue that separating the Forest Service from Agriculture would break links between the agencies and force some farmers to deal with an extra department. Agriculture supports the portion of the recommended water resources option that would merge water policy and planning functions, but opposes the portion that would merge construction functions in the Corps.

Energy supports natural resources consolidation, but believes that management of non-renewable resources on public lands should be given more attention, that Outer Continental Shelf leasing and regulatory functions should be streamlined, and that Energy and other agencies should continue to be involved in water resource decisions.

Doesn't Ag-
oppose moving
Forest Service
should be
skated.

Interior strongly supports the DNR concept and most of the recommendations. However, Interior believes that water resources Option 2 -- moving to DNR all planning, budgeting, construction, operation and maintenance functions of the Corps and Soil Conservation Service -- should be recommended. Interior believes this option would be most efficient and would not affect adversely the Corps' military functions like CEQ. Interior believes that the Energy mineral leasing regulatory functions should become a part of DNR.

Political
Analysis

Decisions

- (1) Should a Department of Natural Resources be created, including all of Interior, the Forest Service, NOAA, and the Soil and Snow Surveys of the Soil Conservation Service? yes ☒ no ☒

- (2) Should it include:

Forest Service yes ☒ no ☐
 NOAA yes, but do not include Forest Service ☒ no ☐
yes, but do not include NOAA ☒ no ☐

- (3) If you have chosen to create DNR, how should water resources be handled?

Option 1: Have DNR plan, budget, and develop policy for water development including the water resources council functions; make the Corps the construction agent including relevant portions of the Soil Conservation Service and Bureau of Reclamation.



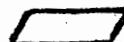
OR

Option 2: Consolidate in DNR all Corps civil works Soil Conservation Service, small watershed, and the Water Resources Council



OR

Option 3: Strengthen the Water Resources Council and make no program transfers



What does
this entail?

II. Development Assistance

A. The Problem

Economic This country ~~will~~ continue to experience subnational development problems ~~and needs~~ that jeopardize the fulfillment of national social and economic goals. These problems take the form of (1) large pockets of chronically unemployed people left behind by changing economic circumstances in urban and rural areas; (2) inadequate public and private facilities in rural areas and small towns, and deteriorating infrastructure in cities; (3) problems caused by base closings, regulatory actions, rapid growth, the decline of particular economic sectors, changes in transportation or production technology, trade problems, and the like.

Macro- ~~General~~ economic policies ^{generally} are too broad to address these subnational problems without ~~causing difficulties~~ ^{adversely affecting the nation's} economy. Nor do outright cash transfers provide a long-term solution, since they generally fail to affect the underlying causes of distress and thus ~~increase~~ ^{do not reduce} local dependence on the Federal Government.

What is needed instead, as reflected in your urban message and elsewhere, is an integrated development approach aimed at strengthening the long-term ~~social~~ ^{and} economic base and encouraging private job creation in local areas.

To be effective, such an approach requires:

- o The harnessing of a critical mass of the limited resources available; *transportation, sewer and programs*
- o The integrated use of a variety of development tools, ^{including} ~~especially~~ business assistance, *manpower training* public facilities, planning, and housing; *community*
- o Streamlined program delivery and the capacity for timely decisions;
- o The effective involvement of different levels of government and the private sector;
- o A policy and program mechanism broad enough to take account of the increasing interdependence of urban and rural areas; and
- o A solid analytical capacity to identify problems and formulate adequate responses.

Unfortunately, however, the organization of Federal development assistance programs diverges from what is needed in almost every respect:

o Programs and resources are severely fragmented.

Economic development assistance is splintered among ten programs in five different agencies (Economic Development Administration (EDA); Department of Housing and Urban Development (HUD); Farmers Home Administration (FmHA); Small Business Administration (SBA); and Community Services Administration (CSA)). The proposed National Development Bank would create a sixth.

General community facilities assistance is scattered among four agencies (HUD, FmHA, EDA and EPA) and the Title V Regional Commissions.

Nine programs in three agencies (HUD, EDA and FmHA) and the Title V Regional Commissions provide funds for development planning.

*Note of proposals
do anything
about this
issue!*

The long-term economic development programs have no effective links with employment and training programs that are preparing people for jobs.

o Program procedures conflict.

Each of these many programs has its own funding cycle, its own planning requirements, its own eligibility standards, and its own application process, making coordinated use of Federal tools difficult.

o Delivery systems diverge widely.

For example, EDA relies on six regional offices and a network of "development districts."

HUD has 10 regional offices, 40 area offices, 37 insuring offices and eight valuation stations.

The Title V Regional Commissions rely on the States for development planning and programming, while HUD and EDA largely bypass the States.

The FmHA has 42 State offices and 2,445 county office

o Authority does not match responsibility.

The current structure has no consistent organizing principle. Agency responsibilities are split along both geographical and functional lines so that Cabinet secretaries frequently lack program authority to carry out their responsibilities, and no Cabinet official has the authority or responsibility to devise and carry out overall subnational development policies.

For example, although USDA has the rural development lead, 75 percent of rural development grant funds are in HUD and Commerce. Commerce, which has major economic development responsibilities, spends most of its EDA funds on public facilities, while HUD, which has major community facilities responsibilities, spends more on economic development projects through its UDAG and CDBG programs (10 percent of which goes for economic development) than all of EDA.

This fragmentation causes major administrative and programmatic problems, including:

These problems are caused by underlying structural organization

Mayors don't really say this strongly.

- o Confusion and excessive administrative burden and cost at the State and local level. Each program has its own separate regulations, requirements, and management procedures. This causes tremendous confusion at the local level. Small cities and rural areas, in particular, complain that only cities with extensive grantsmanship operations can sort out the maze and get adequate development funding.
- o Limited ability to involve the private sector. The number of agencies and procedures to be followed for packaging complex projects results in long lead times before projects can get underway. Private investors often cannot afford to wait. One agency's refusal can jeopardize the project, making businesses reluctant to get "tied up" in government red tape.
- o Inefficient use of Federal personnel and resources. Opportunities to save administrative costs and use more effectively scarce technical talents now spread among the agencies are being lost. In fact, there is a trend toward further entrenchment of the waste and overlap. Three agencies are expanding staffs to conduct similar economic development functions (FmHA, HUD, and EDA), and a fourth is about to be created (The National Development Bank). ~~EDA is hiring urban specialists from HUD.~~ Meanwhile, HUD, EDA, and FmHA are reviewing plans and applications from the same communities, often for the same project and while coordination to minimize this overlap is being undertaken, it is very costly and wasteful.

Hopefully, coordination might lead to some efficiencies.

- Unnecessary rigidity in the system; lack of flexibility to respond to local needs and opportunities; inability to pool and focus limited funds effectively to implement national policy. Each categorical program has a slightly different viewpoint and set of requirements that must be met. Each community must attempt to tailor its strategy to react to the changing mix of often narrow and not always consistent agency viewpoints and corresponding funding levels. Each program has slightly different targeting criteria determining which communities or parts of communities can receive funds.
- Lack of policy focus and direction. Fragmented programs and agency responsibilities make it difficult to devise and implement coherent national policies. No one agency can formulate development strategies that balance the needs of communities of different sizes or set priorities among different types of tools.
- Difficulties in comparing and evaluating the effectiveness of different approaches because of wide variations in data collection and interpretation among programs and agencies. No agency can evaluate the total impact of development assistance programs.
- Gaps and overlaps in geographic coverage resulting from the widely different definitions of urban and rural used in different programs and the presence of three different agencies (HUD, EDA and FmHA) providing virtually identical kinds of assistance to smaller communities. With lines of demarcation so blurred (because of the haziness of the underlying demographic distinctions) and the responsibilities so confused, some types of communities find themselves sent from agency to agency to get the aid they need.

Exhibits IV, V, and VI describe the programs and depict the organizational fragmentation.

B. Principal Alternatives:

Option 1. A Department of Development Assistance (DDA) and program consolidations that would streamline Federal development assistance. The organizational and programmatic changes are highly interrelated since the major program reforms are not possible without program transfers.

EXHIBIT IV

COMMUNITY AND ECONOMIC DEVELOPMENT PROGRAMS

Department of Agency	Program	Client	1979 Budget Authority (Millions)	1979 Loan Authority (Millions)	1979 Personnel	Mission
HHD	UDAG	All communities meeting "distress" criteria	\$ 400		78	Fosters economic development in distressed cities and urban counties.
	COOG Entitlement	States, communities, local public bodies.	2,652		709	Promotes development of viable communities.
	COOG small cities		657			
	701 Planning & Research	States, area wide planning agencies	111		270	Strengthen planning capabilities for community and economic development.
Commerce*	Housing	Private developers, local housing authorities, individuals	26,859		8660	Promotes decent housing and a suitable living environment.
	EDA I, III, IV, and IX	States, counties, communities, meeting "distress" criteria.	396		756	Assists distressed areas in increasing or retaking private sector job opportunities.
	EDA Title II	Business in "distress" areas	96.5	289	63	Encourages or maintains private sector job opportunities in distressed areas.
	EDA Trade Adjustment Asst.	Bus. injured by import competition	95	210	11	Allows firms to adjust to import competition.
Agriculture	Title V Commissions	States in Title V Regions	63		81	Promotes economic development of "lagging" regions.
	FmHA (Com. Facilities & Waste Disposal)	States, political subdivisions which serve rural areas	637.5 ^{2/}	1,150	459	Promotes development of viable rural communities.
	FmHA (Mls. & Industrial Loans)	Business in rural areas		1,100	210	Facilitates development of private business to improve the economy of rural communities.
	FmHA (Indust. Dev. Servs)	Public bodies in rural communities	10			Facilitates development of private business to improve the economy of rural communities.
National Development Bank		Local development authorities (for businesses) in distressed areas	3,930**	2,645**	232**	Encourages and assists the retention and development of permanent private sector job opportunities and private sector investment in distressed areas.
EDA	Sec. 501, 502	State and local development corporations	33	95	14	Encourages economic growth and prosperity in states and communities.
CEA	Community Economic Development	Community Development Corporations	40		42	Encourages development in urban and rural low income areas.

*Excludes Steel Loan Guarantee Program, funded with carry-over funds of 1981.

**Proposed for 1980.

1/ FTE personnel except FmHA which represents man-year equivalent of staff time.
2/ BA for grants and loans.

DECEMBER 1979

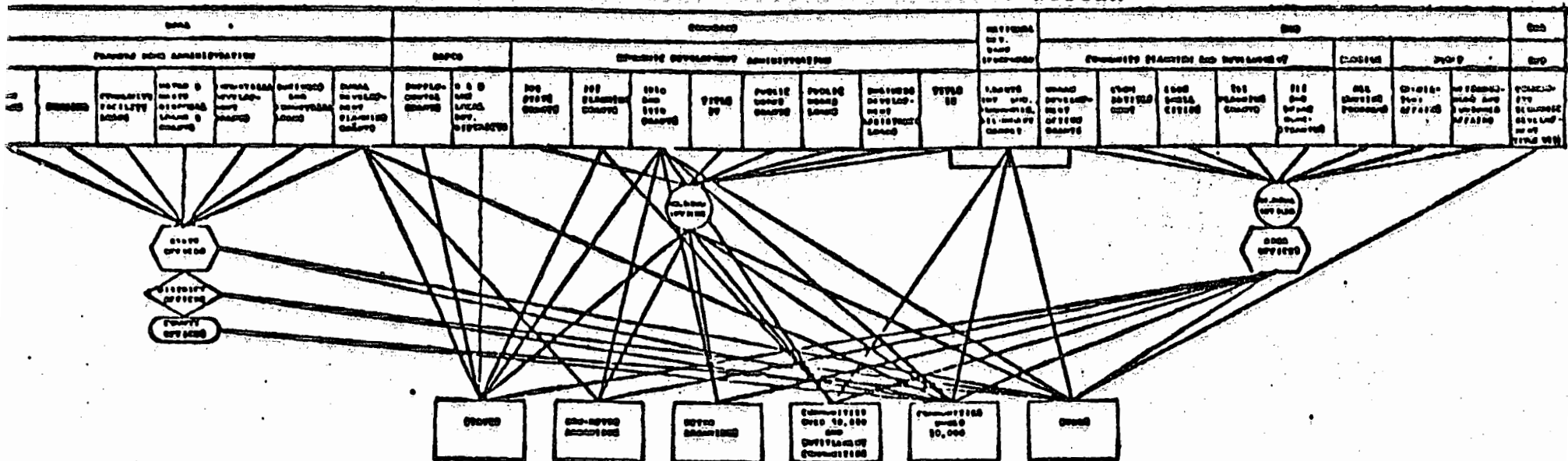
FEDERAL ASSISTANCE FOR ECONOMIC AND COMMUNITY DEVELOPMENT

Agency	Planning Assistance	Private Development Loans	Business Development	Technical Assistance	Community Development
EDA	Provides grants to develop the comprehensive planning capabilities of State and local governments, multi-county development districts, and EPA designated small geographic areas.	Provides business loans and guarantees to firms that can demonstrate that jobs and income will be created or saved and that there is a reasonable assurance of repayment.	Provides grants for public works activities, involving local loan funds and operation of a variety of local, area state and multi-state economic development projects.	Provides direct technical assistance and grants to a diverse group of State, local public and private institutions, universities, firms, and professional associations.	Provides community development public works grants and loan planning assistance, and technical assistance.
ESD	Provides grants to develop the comprehensive planning capabilities of State and local governments, and multi-county area planning areas.	None	Provides grants for business-related public works activities and the operation of a variety of local, state and multi-state economic development projects via loans and grants.	Provides direct technical assistance and grants to a diverse group of State, local public and private institutions, universities, firms, and professional associations.	Provides community development public works grants and loan planning assistance, and technical assistance.
ESA (Only Sections 301 & 302 for district loan programs)	None	Provides via State and local Development Corporation funds for business loans and guarantees to firms that can demonstrate that jobs and income will be created or saved and that there is a reasonable assurance of repayment.	None	Provides management and technical assistance to small businesses and State university systems.	None
ESB (Only Rural Development Program)	Provides grants to develop the comprehensive planning capabilities of rural communities and multi-county planning bodies. This is provided via the Rural III program and through the Soil Conservation Service's Research, Conservation and Development Program.	Provides loan guarantees to firms that can demonstrate that jobs and income will be created or saved and that there is a reasonable assurance of repayment; rural areas only.	Provides grants to rural areas for development of industrial parks.	Through an intensive field delivery system, an intensive technical assistance program is made available to State, local public and private institutions, firms and associations.	Provides community development grants for water and waste treatment, technical assistance and operation of community facilities.
ESC (Only Community Economic Development Program)	None	None	Provides grant funds to Community Development Corporations which use these funds for investment in the profit businesses that provide employment opportunities.	Provides grant funds to Community Development Corporations which use these funds for provision of technical assistance.	Provides grant funds to Community Development Corporations which use these funds for Community Development activities.
Title V Regional Commissions	Provides grants to develop the comprehensive planning capabilities of State Govts. and multi-county planning bodies and development districts, plus special planning activities of the Multi-State Regional Commissions. This is provided via Title V of the Public Works and Economic Development Act of 1965.	None	Provides supplemental public works grants to other basic programs and grants to conduct special demonstration projects of a varied nature.	Provides direct technical assistance and grants to State and local governments, multi-state development organizations, private firms and professional associations.	Provides supplemental grants and demonstration projects, planning assistance and technical assistance.
National Development and Loan Corporation	None	Will provide loans, guarantees, and selected subsidies to firms that demonstrate that jobs and income will be created or saved and that there is a reasonable assurance of repayment.	Provides grants to businesses on a subsidy to influence their location decisions.	Will provide direct technical assistance and grants to State and local governments, multi-state development organizations, private firms and professional associations.	None

Source: President's Reorganization Project

EXHIBIT VI

CURRENT DEVELOPMENT ASSISTANCE DELIVERY SYSTEM



- Organizational changes:** The central concept underlying DDA is the need to bring into a single organization a core of development tools aimed at improving the long-term economic health and vitality of local areas. The concept builds on two premises: first, that an effective development approach requires the coordinated use of a variety of tools since business location decisions are affected by far more than the availability of only business assistance; and second, that the interdependence among urban and rural areas requires an organization that addresses the needs of all types and sizes of places within a unified framework while still allowing for program variations geared to local needs and capabilities.

To achieve this, the DDA would absorb the following Federal program responsibilities:

Current Agency

Programs

Agriculture

Community and economic development programs (non-farm and non-housing) of the Farmers Home Administration

Commerce

Economic Development Administration, Title V Regional Commissions

CSA

Community Economic Development Program

HUD

All programs

SBA

501 and 502 programs (loans to State and local development companies)

National Development Bank (proposed)

All

These changes would group the major Federal economic development, community development and development planning programs, as well as many of the housing programs, in one place.

So constituted, the DDA would become the central focus of Federal efforts to encourage the long term viability of States, regions, and local areas of all sizes. It would become the principal Cabinet advocate of balanced subnational development.

Within the Department, economic development would be organizationally distinct from housing and community development, thus preserving its emphasis on job creation. The Department would establish organizational representation for urban and rural responsibilities and provide for the special delivery system needs of small towns and rural areas.

Exhibit VII depicts the transfer of resources and personnel in this option. Exhibit VIII depicts the simplified delivery of Federal development assistance under this option.

• Programmatic Changes. The Department of Development Assistance would make possible program changes to help solve the problems caused by the current fragmentation. Many of these program changes would require separate legislation and could be pursued simultaneously with the creation of the DDA or be phased in over a period of time.

Consolidated Economic Development Assistance Program:

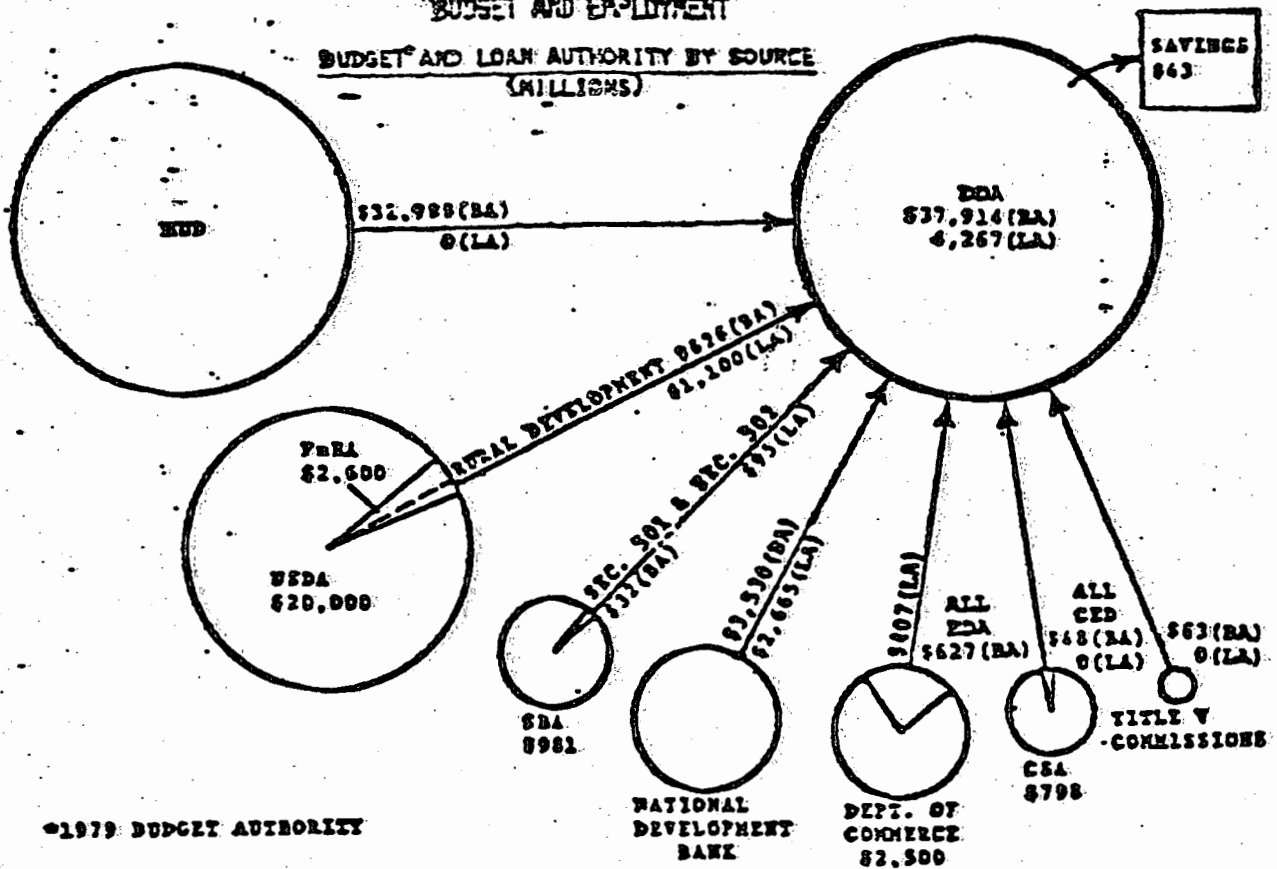
Combine 11 individual economic development grant and loan programs into:

- (1) a consolidated economic development grant program (EDA Title I, IV, IX, Secs. 301 and 304; HUD UDAG; FmHA Industrial Development grants; National Development Bank grants);
- (2) a consolidated economic development loan program building on the proposed National Development Bank. (National Development Bank credit programs; EDA Title II Business loans; FmHA Business and Industry loan guarantee program; SBA 501 and 502 loans to State and local development corporations).

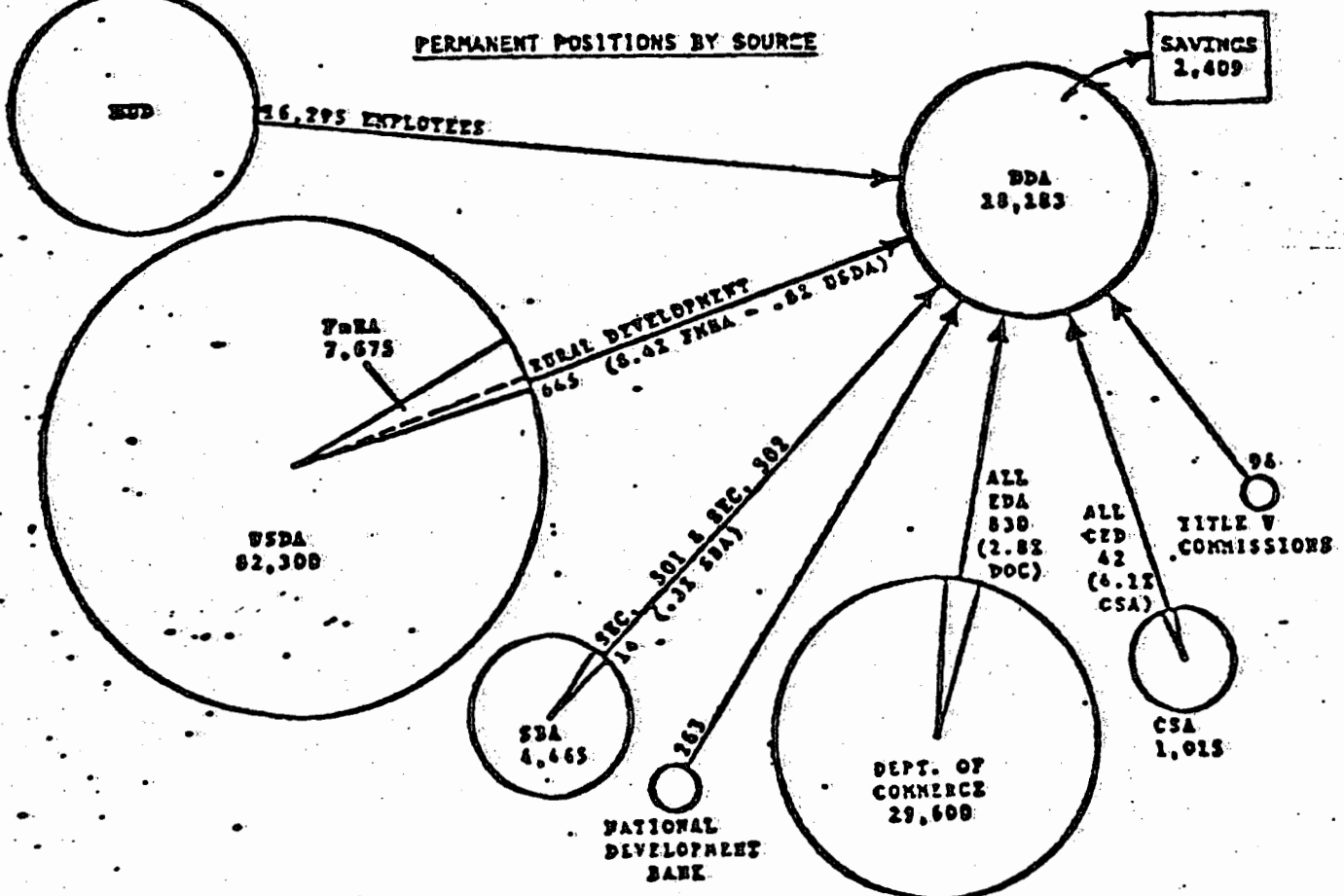
Both of these would be discretionary programs and would be administered by an expanded Economic Development Administration within the Department of Development

DEPARTMENT OF DEVELOPMENT ASSISTANCE

BUDGET AND EMPLOYMENT

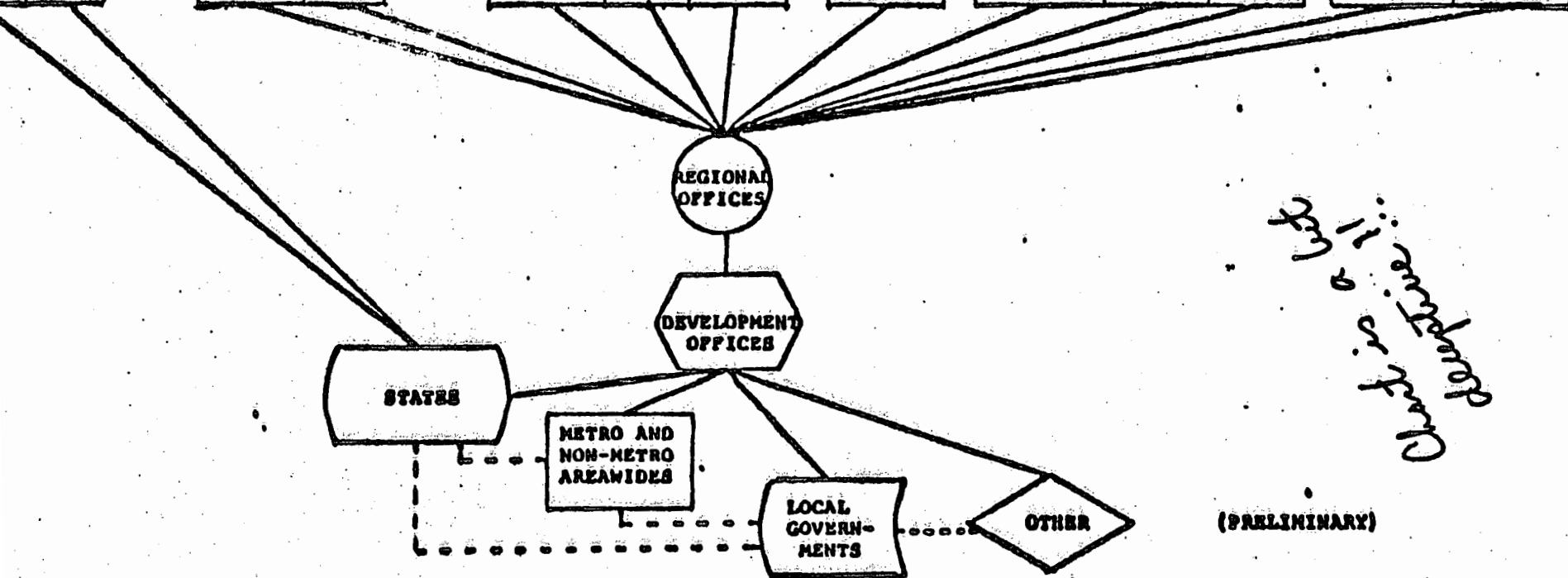
BUDGET AND LOAN AUTHORITY BY SOURCE
(MILLIONS)

PERMANENT POSITIONS BY SOURCE



DEPARTMENT OF DEVELOPMENT ASSISTANCE

NATIONAL ACTION COMMISSIONS (TITLE Va)		ECONOMIC DEVELOPMENT		COMMUNITY DEVELOPMENT			HOUSING	DEMONSTRATION, CONSUMERS NEIGHBORHOODS, VOLUNTEERS			PLANNING.	
R & D AND LOCAL DEV. DIST.		ECON. DEV. BUSINESS ASSIS- TANCE	ECON. DEV. GRANT	CORP ENTITLE- MENT	RURAL CD DISCRE- TIONARY GRANTS	COMMUN- ITY DEV. LOANS (RURAL)	HUD HOUSING, 312, AND URBAN HOME- STEADING	NEIGHBOR- HOOD & CONSUMER AFFAIRS	REGULA- TORY AFFAIRS	COMMUN- ITY ECO. DEV. (TITLE VII)	PLANNING ENTITLE- MENT GRANTS	PLANNING DISCRE- TIONARY GRANTS



(PRELIMINARY)

Assistance. Separate urban and rural pots would be provided. The consolidated program could be introduced as the Administration's EDA reauthorization bill, which comes up this year.

Planning Assistance and Planning Requirements

Replace the seven existing development planning assistance programs with a single program that would fund an integrated development priority-setting process. Existing planning requirements of the programs within the DDA, as well as of some programs left outside it (e.g., transportation, EPA water and sewer, and employment and training) would then be changed to respond to these priorities and to reduce overlapping planning requirements.

Rural Development

Create a unified, flexible and more efficient rural community facilities program by merging four existing programs into two:

- One for rural community development loans (FmHA water and waste disposal and community facilities loans); and
- one for rural community development grants (FmHA water and waste disposal grants, and Community Development Small Cities Grants).

The two programs would be administered by a rural community development unit that would form part of the core of the DDA.

Housing Simplification:

Work with HUD, the Veterans Administration, and FmHA to streamline application forms, appraisal procedures and related requirements in the housing programs administered by these three agencies.

Labor/Economic Development Links:

Create a system of links between the Federal employment and training programs and Federal development assistance programs.

*These two
are unrelated
to structural
reorganization*

Advantages and Disadvantages

also
applies to
#2

- Equipping a single Cabinet Department with a critical core of development tools and programs will help upgrade economic development as a focus of Federal policy and improve development partnerships with State and local governments.
- Locating urban and rural development programs in a single department will reduce gaps and inequities and permit the establishment of coherent and balanced Federal development policy while preserving the possibility of variations in urban and rural development programming.
- By providing "one-stop shopping" for a basic core of Federal ^{economic} development assistance, this option will improve program coordination and permit significant program consolidation. It will also improve Federal responsiveness to local strategies.
- This alternative would simplify the Federal planning assistance programs and more closely tie them to development funding decisions.
- By clarifying authorities and responsibilities for Federal development assistance, this option would make Federal development efforts more understandable and accountable.
- Federal-level consolidation will help reduce fragmentation at State and local levels.
- The structural change will permit program reforms to create consolidated development loan and grant programs simplified planning programs and a streamlined ... rural community facilities program comparable to the existing urban program.
- While permitting better use of program monies, this proposal will reduce administrative costs at Federal, State and local levels and make better use of scarce Federal and local technical staffs. Federal savings annually will be approximately \$43 million, State and local savings can total approximately 30 percent of the current administrative costs of these programs.

all kept
for
underlined

explain
difference
between savings
under options
#1 and #2

- This option will strengthen the analytical foundation for subnational development decisions and create the capacity to anticipate development problems and opportunities in advance.
- For the first time an integrated approach will be possible by the Federal Government for "adjustment problems" ranging from base closings to trade adjustment to disaster recovery.
- This option will facilitate the use of housing programs as an integral part of development programs in urban areas. In rural areas, however, it will break up the link between housing programs and CED that currently exists. Disadvantages of the proposal are included in the agency comment.

Option 2: Consolidate Economic Development Programs in Commerce Leaving Community Development in HUD and USDA.

This alternative would make a sharp division between economic development programs and community development and housing programs. It is based on the presumption that economic development and community development are really different and that economic development must be closely associated with the ~~trade information and~~ ^{department that has a responsibility for private sector business activities} ~~sectoral analysis functions in the Commerce Department.~~ It would group the major economic development programs together in EDA in Commerce, and leave the community development and housing programs in HUD and FMHA.

Organizational Changes

The expanded Department of Commerce and Economic Development would absorb the following Federal program responsibilities:

<u>Current Agency</u>	<u>Programs</u>
Commerce	All programs
HUD	UDAG
Agriculture	FMHA Business and Industry Loans FMHA Industrial Development Grants
SBA	501 and 502 programs (loans to State and local development companies)

Within the Department, economic development would remain organizationally separated from the other business assistance, trade, and information functions to preserve its emphasis on job creation in distressed areas. Within the Economic Development Administration there would be an enlarged Development Bank to provide credit assistance to businesses, and a division to provide economic development and public facilities grants to States, communities and other current recipients.

Exhibit IX depicts the transfer of resources and personnel in this option.

Programmatic Changes

Like Option 1, this option would make possible the consolidation of Federal economic development programs housing simplification and labor/economic development links, but not rural community facilities consolidation or planning assistance consolidation.

A limited form of this option would consolidate all these programs except UDAG in Commerce. UDAG will be due for reauthorization in 1980 and a decision on its ultimate placement would be deferred until then. This sub-option would not allow full consolidation of economic development grant programs, and would not achieve the benefits of full consolidation of economic development programs. However, it would avoid some of the disruption and cost associated with attempting to move UDAG.

Advantages

This option would concentrate economic development program resources at the Federal level, much as Option 1 would. Option 1 would thus permit better evaluation of Federal economic development programs, streamline economic development assistance, and provide a home for the National Development Bank. (It would not, however, include the substantial economic development funds spent under the HUD CDBG program.)

The Federal Government could save \$7 million by consolidating scarce technical expertise, and standardizing and simplifying economic development program requirements (versus \$4.3 million in Option 1).

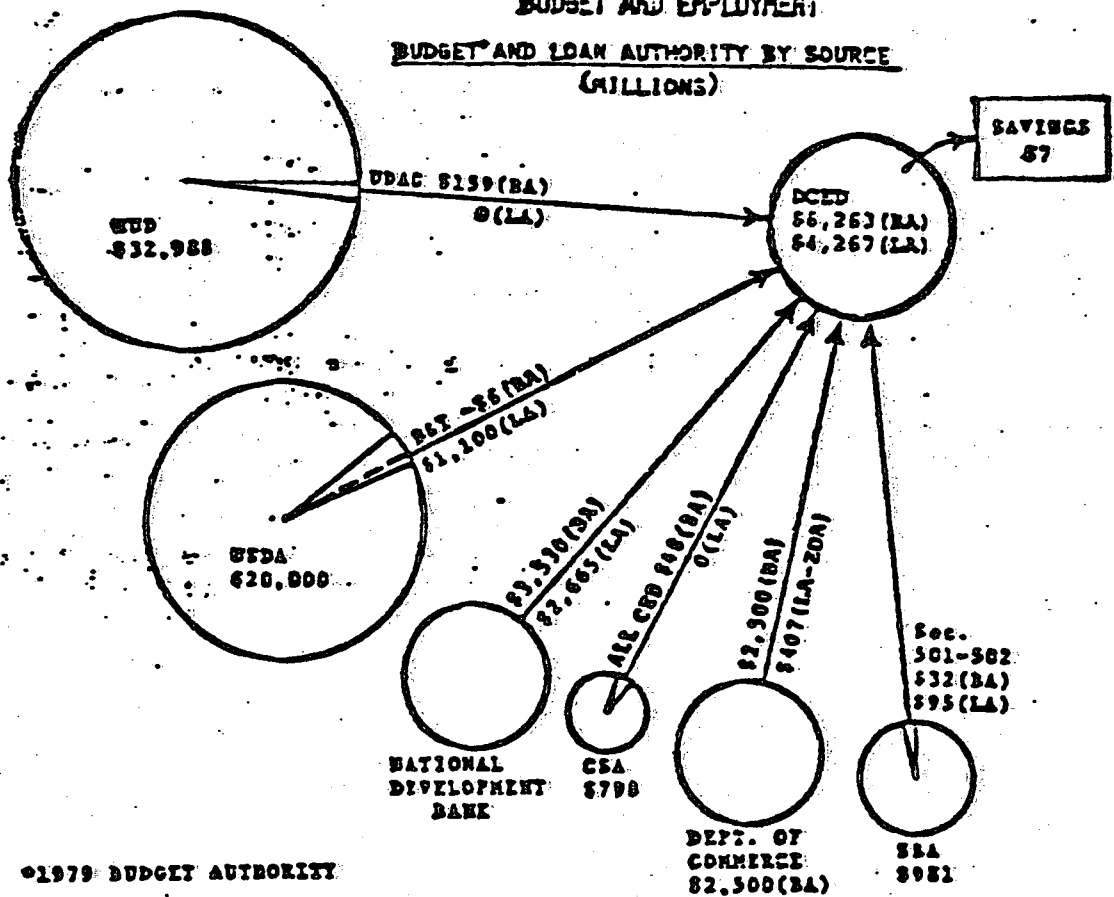
This simply is not true. Consolidations result from legislative changes not structural reorganization.

consolidate the loan and loan guarantee programs would

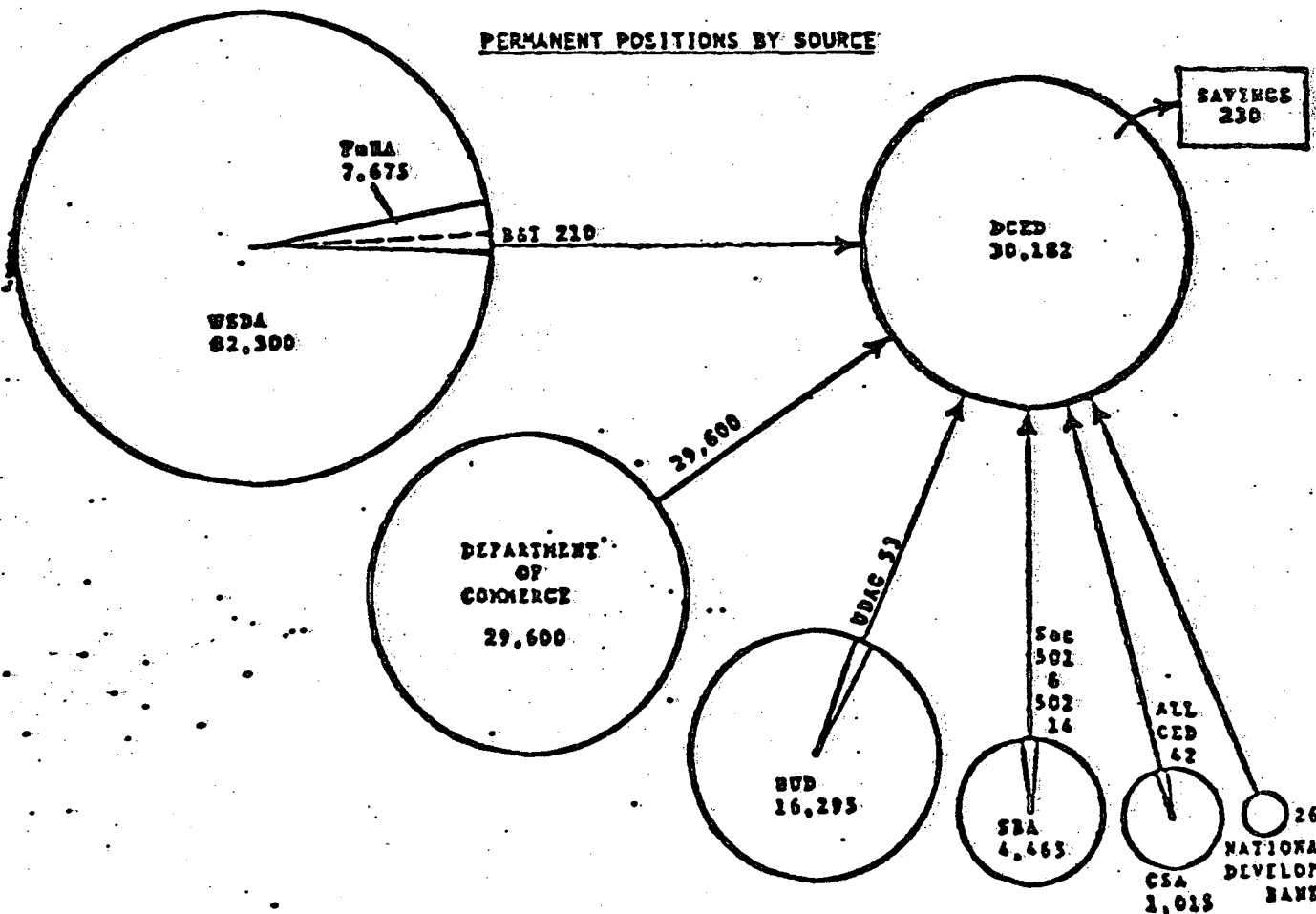
Advantages listed for Option #1 that are applicable to #2 also should be listed

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT BUDGET AND EMPLOYMENT

BUDGET AND LOAN AUTHORITY BY SOURCE (MILLIONS)



PERMANENT POSITIONS BY SOURCE



- This option would allow the Administration to build on the pending EDA reauthorization and use it as a vehicle for consolidating economic development programs, as does Option 1.
- ~~Some contend that~~ By separating economic from community development, this option may help to ensure the business focus of economic development programs. ~~although most of EDA's funds go to community facilities.~~
- This option also builds on EDA's reputation for responsiveness to ~~concerns~~ *the needs of States and localities and private businesses.*
- Expanding economic development functions in Commerce increases their potential for targeting economic development funds to trade and productivity problems.
- *This option provides an excellent vehicle - the EDA reauthorization - for moving the National Development Bank through Congress.*

Other Alternatives Considered

- (a) Seek procedural change only: Some of the problems with Federal development programs could be relieved through better coordination and detailed procedural changes. In fact, the Interagency Coordinating Council has already made a start in this direction. Even if the reforms proposed above were adopted, this mechanism would still be needed to coordinate the numerous agencies and programs untouched by reorganization.

To rely on procedural coordination alone, however, seems unpromising. A long history of previous efforts to relieve program and organizational fragmentation through procedural change and coordination demonstrates few lasting successes.

- (b) Create separate Departments of Urban and Rural Development: This option would place all community and economic development programs for rural areas in Agriculture and all community and economic development programs for urban areas in HUD. It would appeal to rural groups and achieve some simplification. However, this option would be the most disruptive because it would require that EDA and CDBG each be split in two. It would raise programmatic problems because urban and rural areas are interdependent and because many communities, as their demographics change, would have to shift from one agency to another for funding.

(c) Create a broader Department of Development Assistance:
 A number of other programs would fit well within the DDA concept and may be candidates for eventual inclusion. Because they are politically unfeasible or because their links to the agencies in which they now reside are too substantial to disturb, we have not included them in Option 1.

- Employment and Training Administration (Labor)
- Highway and Transit Programs (Transportation)
- Wastewater Treatment Construction Grant Program
- Veterans Administration Housing Programs

Agency Comments

Commerce opposes DDA and recommends that economic development functions be consolidated in Commerce and that trade functions in Commerce be strengthened. Commerce believes that economic and community development are fundamentally different--that economic development is aimed at stimulating private investment, and community development is aimed at promoting the social welfare of communities and their residents. Commerce strongly feels that the inclusion of the economic development function with housing and community development would make the economic development function impotent--that these funds would quickly be contaminated by community development activities. This is based on the expressed fear that HUD's constituents and "social welfare ethos" would predominate. Commerce also feels that reorganization alone will not achieve administrative and program efficiencies in a new Department and that a new Department would be an awkward amalgam of activities. Commerce feels that sectoral problems are increasingly important and that sectoral analysis, trade, and economic development must be linked organizationally. Commerce argues that EDA is working well at Commerce. They believe that economic development should remain at Commerce and be strengthened by adding the National Development Bank program. They further believe that the EDA reauthorization is a good vehicle to accomplish this end.

Others argue that community and economic development will not necessarily be better integrated because urban community development will still be dispersed by formula while economic development funds are discretionary.

HUD supports the creation of DDA but reserves judgment on the program consolidation recommendations until further information is available. They argue that community development, economic development, and housing must be administered in the same department to make development assistance work and therefore oppose the Commerce-based option because it would split these functions. Recipients often use community and economic development funds for the same purposes and do not distinguish among them in practice. In fact, much economic development assistance goes for community facilities. HUD also opposes the Commerce based option because it would make it more difficult to consolidate planning assistance or rural community facilities. They also believe that the DDA option will provide a necessary critical mass of resources and significantly streamline the process. They also state that HUD's purported shortcomings mentioned in the memorandum are exaggerated and out of date and that many criticisms of HUD are for actions that result from legislative rather than departmental restrictions. HUD argues that FmHA multi-family assistance programs should be included in DDA.

USDA believes that community development, economic development, and housing should be combined, and therefore opposes the Commerce-based option because it would split these functions. Agriculture is particularly concerned that rural assistance be delivered through multi-county district offices of the sort that FmHA is creating and therefore urges that any reorganization plan incorporate these offices.

SBA supports the DDA, seeing little difference between community and economic development. It endorses the proposed shift of its Section 501 and 502 programs. SBA opposes the Commerce based option.

Treasury takes no position on structural change, except to suggest that the National Development Bank need not be separate if reorganization takes place.

CSA supports the DDA concept but believes that its programs should not be included.

Decisions

Do you wish to reorganize development assistance, including both structural and program reforms?

yes, construct a Department of Development Assistance and pursue the associated program reforms.

yes, construct a Department of Commerce and Economic Development and pursue the possible program reforms.

yes, construct a Department of Commerce and Economic Development but do not include UDAG; pursue possible associated program reforms.

no.

III. Food and Agriculture

Lynn Daft providing lengthy comment on this option.

Our food system is big, complex, and constantly changing. These changes reflect trends in consumer habits, advancing technology, growing knowledge of the relationships between diet and health, and changing world economic conditions. By historical standards, the food system has performed well. But new problems and new standards for evaluating the system are emerging. We now expect the food system to help meet national health goals, aid in

world diplomacy, contribute to wise resource use, and help meet other domestic and international needs.

The conflicts in the food system are many; farm prices versus retail prices, processing costs versus food safety, product promotion versus nutrition information, and food aid and foreign trade versus domestic supplies and costs. Each of these conflicts must be dealt with in forging a food policy.

Nutrition research, education, and surveillance are scattered throughout USDA and HEW and other Federal organizations. There is currently no place within the Federal Government where these important nutrition activities are integrated to develop more consistent and effective Federal programs. As a result, we have a weak policy (some would say no policy at all) and even minor program controversies sometimes rise to the White House for resolution. The Federal nutrition effort has been criticized as follows:

- It is unresponsive to consumer concerns and long-term public needs.
- It has low status and visibility in the Federal Government.
- It has limited accountability in terms of technical accuracy and measures of effectiveness.
- There is poor coordination among organizations conducting nutrition-related activities.

Enhancing consumer and nutrition functions in a separate and clearly identifiable unit in a Department of Food and Agriculture has the following advantages:

- Permit conflicts between food and nutrition policy and commercial agriculture (over food safety, price, labelling, chemical additives, etc.) to be worked out within a department.
- Provide a close relationship between nutrition research and farm production decisions.
- Give the Secretary of USDA greater balance among his production and consumer constituency groups.
- Provide a strong Cabinet voice for a national food and nutrition policy.

We recommend the following organizational and process changes to improve the management and focus of domestic and international food and nutrition policy:

(1) Designate the Department of Agriculture as the lead agency responsible for developing a national food and nutrition policy.

(2) Direct the Secretary of Agriculture to work with OMB and DPS in developing administrative and legislative proposals to give greater emphasis to nutrition policy in USDA. Among the changes to be considered are:

- Change the name of USDA to the Department of Food and Agriculture to symbolize the Department's broader mission.
- Organize the Department internally as follows:
 - Create two Deputy Secretaries -- one representing agricultural, trade and marketing interests, one representing consumer and nutrition interests.

- Internally segregate consumer-oriented programs for traditional agricultural "promotion" programs.
- Consideration of proposals for consolidating authorities for promotion of agricultural trade with authorities for control and development of agricultural production

We expect these activities, if approved, to produce administrative and possible legislative proposals for consideration later this year.

Agency Comments

Agriculture believes that these proposals need further development. They suggest more attention to consolidating authorities for promotion of trade in agricultural products and to improving delivery of nutrition assistance and agricultural development aid to other nations. Agriculture believes that more complete consolidation of food production and safety functions will be required in the long term but does not recommend consolidation of all food safety programs at this time.

Decisions

- (1) Designate USDA as the lead agency for nutrition policy

Yes _____ No _____

- (2) Direct the Secretary of Agriculture to work with OMB and DPS to develop proposals to enhance information policy in USDA.

Yes _____ No _____

IV. Department of Commerce

Needs work
Must be done in
conjunction of other
reorganization proposals.
27a

Our study of economic policymaking in the Executive Branch has pinpointed critical deficiencies in our ability to effectively promote trade and to perform quality micro-economic (sectoral) analysis. In both areas, program fragmentation is a major cause of the problem. There has also been widespread comment that the disparate and unrelated activities of the Commerce Department today hinder its effectiveness because of a lack of organizational focus.

The case for improving economic policymaking capacities must be examined in the context of the other reorganization options discussed earlier. The effect of establishing the Departments of Natural Resources and Development Assistance, is to remove about half the Department of Commerce staff and budget. Our natural resources, local development, and economic policymaking studies converge to require a careful reexamination of the future of the Department of Commerce.

We have completed sufficient analysis to identify several credible Commerce Department options. Each has pros and cons--substantive and political. None, however, has been sufficiently explored within the Executive Branch or with Congress and interest groups to warrant a recommendation now.

We recommend that OMB and an interagency group explore options to improve the organization of trade and commerce. Recommendations should be developed to be incorporated in implementing the Multi-National Trade agreements.

V. Implementation and Next Steps

A. Using Reorganization Authority

As you know, reorganization authority cannot be used to abolish a Department or all its functions. It can, however, transfer parts of Departments and can be used to rename departments.

- 1 Because reorganization authority is a much quicker and easier way to accomplish our objectives, we want to do as much as possible by plan. Two plans should be enough to implement the structural changes in the natural resources and development assistance options. If you choose to implement the Development Assistance program reform, follow up legislation will be required.

B. Timing and Announcement

If you choose to attempt substantial reorganization, this project merits a State of the Union announcement for two reasons:

- (1) It should have broad popular appeal and fit well with the economy/anti-inflation themes planned for your address.
- (2) Including the proposal will signal that you regard it as a high priority that you and your White House staff will work to pass.

Decision

Work toward a State of the Union announcement.

☐

Yes

☐

No

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF SCIENCE AND TECHNOLOGY POLICY

WASHINGTON, D.C. 20500

January 8, 1979

MEMORANDUM TO: Harrison Wellford
FROM: Frank Press *YP*
SUBJECT: Reorganization Agenda for 1979

We have reviewed quickly the draft Presidential Decision Memorandum transmitted by your Office on January 6. This Office is principally interested in the Natural Resources, Food and Agriculture, and Commerce sections of the report. There is little relationship between Development Assistance and R&D but we believe that the kind of realignments proposed and Civil Service reform would go far towards improving delivery services in this area.

Natural Resources - From the standpoint of this Office, priority for reorganization should be accorded Natural Resources, and this should be undertaken even if other elements of the reorganization package do not move forward at this time. Sound policies for management of water and land resources necessitate consolidations. Science and technology would be strengthened through bringing atmosphere and ocean activities together with related land activities. Especially in the area of management of resources on the continental shelf it is important to bring NOAA activities together with those of Interior. *(among the domestic proposals)*

With respect to the bringing together of NOAA's research and service capabilities, the Geological Survey and a few other units, e.g., Fish and Wildlife Service, into a single Department would provide a focus for a substantial research effort that could expand the information base for resource management.

However, the internal alignment of programs within the Department would have to be carefully devised. For example, it is important to decide what elements of offshore activities need to be brought together on the basis of the oceans/atmospheric column and what activities based on the management of resources on and beneath the ocean floor. In this respect, we do not believe that marine geologic investigations should be divided from on shore geologic investigations, as apparently is envisioned by your study team.

With respect to the realignment of water resource activities, this Office would prefer adoption of Option 2, involving moving to DNR all planning, budgeting, construction and maintenance functions of Interior, the Corps and the Soil Conservation Service. Such action would provide greater assurance of coherent development of water resource policies and subsequent program implementation. Division of planning from project design can be quite arbitrary, and also can result in the need for additional staffing.

Food & Nutrition - This Office supports the proposal to have the Department of Agriculture designated as lead agency responsible for developing food and nutrition policy. We reviewed the report of the study team and do not agree with that report's recommendations for transferring a number of food related activities from other departments and agencies. Those recommendations were sometimes in conflict with the Natural Resource proposal or bore on matters of recreation support, credit policies and other matters only peripherally related to food.

However, it is our view that the report provides little information to the President on which to make a decision. Designation of the Department of Agriculture as the lead agency will require careful analysis as to what that means in relation to programs of other agencies, especially those of the Department of Health, Education, and Welfare. From our own work, we can attest that there will be difficulties in some cases in delineating respective responsibilities in the area of nutrition research. For these reasons, we suggest deferring submission of a proposal to the President until greater detail can be provided, drawing on the team's report as appropriate.

Department of Commerce - We concur in your proposal to defer recommendations affecting remaining functions of the Department at this time. The PRM on technology innovation will not be completed until April so it is not possible to be definitive now on this aspect of the future role of a Department of Commerce. However, divested of functions not integral to commerce and trade, it would appear the Department might better focus on its central mission. It may well be practicable to reconstitute the Department as a Department of Commerce, Trade and Industrial Technology.

We will be glad to clarify any of the above comments. Your study teams have worked closely with this Office, which has assisted in providing this quick response to an extremely comprehensive package of reorganizations.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

January 4, 1979

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR JAMES T. MCINTYRE

FROM: ANNE WEXLER *AW*

SUBJECT: Your Memorandum on Reorganization Options

1. I have a few observations on omissions which should be taken care of in a decision memorandum for the President.

- Indian Affairs: No mention is made of the Bureau of Indian Affairs. Given the sensitivities of this area, the decision memorandum for the President might refer to the area as reassurance that indian affairs will continue to receive the same priority as at the Department of Interior, including a bureau, an assistant secretary, etc.
- National Marine Fishery Service: The memorandum treats the National Marine Fishery Service mostly as a natural resources agency. Although NMFS has important responsibilities for enforcement in the 200 mile zone, its greatest potential is in the development of the fisheries, including their export potential. This memorandum could raise the possibilities of (a) retaining NMFS in Commerce as an agency dealing with a specific industry which is export-related or (b) moving NMFS to Agriculture as an agency dealing with a food-related industry. Short of staying on Commerce, the latter would probably be more acceptable to the industry than a move to DNR; Agriculture has officers in embassies to support export activities; it would be consistent with the move of Fish and Wildlife Service.

- Reorganization Costs: Although efficiency in delivery of services is a more important goal of reorganization than simply cost savings, the memorandum does not deal with the costs created in carrying out a reorganization. We need to have some idea of what these costs will be to protect ourselves against a potential attack on these ground.
- Department of Food and Agriculture: This proposed reorganization really amounts to no more than a name change with one additional program (two, if NMFS is included). This situation might raise another political issue which would not obviate the issue of removing the Forest Service. We might be better off taking the Forest Service issue on directly if we decide to go ahead.

2. On the economic development proposals, I am concerned about our ability to justify them politically. The three reasons for the reorganization appear to be that (a) community development and economic development are closely related but are located in separate agencies; (b) those separate agencies all run economic development programs but with different planning and programmatic requirements; and (c) no one cabinet member is responsible for development policy. The reorganization would be a positive step on the latter point, but subject to the roles of EPA, DOT and HEW.

However, the proposed solution whether it be in Commerce or in a new Department of Development Assistance would still keep community development and economic development as separate entities. More important, without new organic legislation, it would not deal with the underlying problem of differing planning and programmatic requirements. If we fail to resolve the underlying problem, then the benefit obtained is very limited. It would be much more difficult to sell as creating greater efficiency and might appear as a mere "moving of boxes". If the intent is to seek organic legislation, then this should be discussed in the memorandum. While this might be an issue on which we can rally our economic development constituencies, on the other hand in the year before an election we might not want to raise the serious conflicts involved, such as the competition between governors and mayors, targetting and sun belt-snow belt issues. Finally, the memorandum

ought to reflect that reorganization is not absolutely necessary to seek organic legislation.

3. Whatever decision is to be made, it should be made soon. My recent experience with Commerce and Interior reveals that neither is operating at peak efficiency while these issues are pending. The indecision is hurting them.
4. Finally, I am still concerned about the political price for doing this in light of the difficult priorities which we will have before the Congress this year. We need to weigh the disruption which reorganization decisions could bring to major committees from which we will be seeking support for these priorities. Related to this, we need to make a realistic assessment of the ability of the White House staff to sell the proposals in light of the other assignments the President has already given us.